

MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

*April 17, 2003
3:30 p.m., Room 113, County-City Bldg.*

Members: Present – Russ, Bayer, Jan Gauger, Brad Korell,
Carol Brown, Jon Carlson, Bob Hampton,
Dan Marvin, Richard Meginnis, Terry Werner, Larry Zink,
Allan Abbott (non-voting)
Absent – Linda Crump, Jerry Schleich, Otis Young,

Others: Kent Morgan, Don Herz, Randy Hoskins, Mark Bowen,
Steve Masters, Michele Abendroth

AGENDA ITEMS DISCUSSION:

1. Welcome - Russ Bayer, Committee Tri-Chair

Mr. Bayer called the meeting to order at 3:35 p.m. and welcomed those present.

2. Public Comment Period

Mr. Bayer asked if there were members of the public present who would like to address the Work Group at this time. There were none.

3. Street and Highway Financing Report - Brad Korell

Mr. Korell thanked the Finance Work Group members for their time and work. He explained the process which was used to arrive at the group's recommendations in the report entitled *Streets, Highway, and Sidewalk Finance Recommendations*. After the group arrived at a list of potential revenue sources, they sought the input of a financial consultant, PFM, who presented information on the viability of the ideas, the finance ability, how much leverage they would create, and what the bond ratings would be. The group then prepared a matrix of the potential sources and ranked them by several criteria. Unfortunately, the matrix did not tell the group much as there was not a significant difference in the results. Mr. Korell then reviewed a list of the transportation financing alternatives with the legal analysis of each identified. The issue of Sanitary Improvement Districts was discussed in length, but the group decided it was not a viable option at this point. Mr. Korell also expressed his gratitude to Lauren Wismer and Bill Giovanni for their work in this process.

Mr. Korell then reviewed the spreadsheet which detailed the uses and funding sources for streets. He noted that for the purposes of the spreadsheet, the group accepted the recommendations brought forth by the Cost Savings and Efficiency Work Group. Mr. Korell identified the three financial sources being recommended by the Finance Work Group to close the gap. First is a wheel tax increase of \$5 in years 1, 4 and 7, which brings in additional revenue of approximately \$30 million

over 12 years. Secondly, they are proposing a 5 cent per gallon occupation wheel tax. The collection mechanism is not in place, but would bring in approximately \$92 million over 12 years. And last, general obligation (G.O.) bonds would be issued in the amount of \$91 million. This is a property tax increase, and would be a levy of 5.35 cents per \$100 valuation, which is a 3% increase. This would be a 20 year bond. By implementing these revenue sources, the gap would basically be reduced to zero.

Mr. Korell drew the group's attention to the draft report of the Finance Work Group, and specifically to the heading of *Maintaining the City's Existing Streets and Highways Infrastructure*. He stated that there was considerable discussion on this topic, and Mr. Abbott is looking at a more disciplined approach for street rehabilitation based on criteria ratings. They have asked that \$2.5 million for the first two years be added for arterial and residential street rehabilitation. He stated that is a key cornerstone of the report.

Mr. Korell then reviewed the list of criteria by which the funding sources were ranked. They included the following: user fee based, income tax deductibility, ease of approval, broadly based, application ease, stability of source, progressive tax/fee, bondable, amount of revenue and public policy.

Mr. Korell addressed the group's recommendations on their secondary funding approach if any of the funding sources are not approved. The next highest recommendation for possible revenue sources was a sales tax. A city income tax was also considered, but did not have the support it needed to go forward.

Mr. Zink stated that the Finance Work Group chose to put sidewalks in the G.O. bond because they felt that the existing neighborhoods would look more favorably on the bond issue. It is a big concern, but a relatively small dollar amount. The recommendation is to add \$6 million for sidewalk rehabilitation. The final G.O. bond will be \$91.5 million for streets and \$6 million for sidewalks for a total of \$97.5 million.

Mr. Korell stated that a significant point is the marketing of the package. The group felt that it was important to continue the momentum of the work group and conduct public education on these issues.

Mr. Bayer congratulated the Finance Work Group on their work.

Mr. Marvin commented that the next election this could possibly be placed on would be the spring of next year.

4. Areas of Variability between Work Group Reports

Mr. Morgan proceeded with a review of the differences between the recommendations/actions of the work groups. On the fuel tax, there was a slight difference in the emphasis between the groups. On design build bidding, the legislative group suggested going to the unicameral to allow municipalities to institute this bidding process. Design build did not meet the criteria to advance

forward in the efficiency work group. and the finance work group did not discuss this issue. On stormwater management, the finance work group has not discussed the issue as of yet, so there is no point of contention thus far. On special assessment districts, the efficiency group recommended it be discussed further, the legislative work group did not discuss it, and it did not advance as a funding source from the finance work group.

5. Final Review of the Legislative Work Group Report - Jan Gauger

Ms. Gauger noted that the Committee had previously accepted this report, and asked if the Committee wished to revisit or accept this report again. Mr. Marvin stated that the Committee should revisit fuel sales revenue. He questioned if the group wanted to raise the tax on the state and local level. Ms. Gauger stated that when the legislative group met, they did not know what the other work groups would recommend or what administration would be willing to do, and they were trying to forward as many options as possible, so the Committee should not feel awkward in deleting a specific option. Mr. Zink suggested that the report state which work group a specific recommendation came from and then the Committee will oversee the recommendations. Mr. Bayer then questioned if it was necessary to revise the report as the Committee will make the final recommendations. There was no opposition to this method.

Secondly, Mr. Marvin stated that the Committee also needs to revisit design build. Mr. Bayer stated that he did not feel that there is not conflict with this issue. Ms. Gauger stated that the legislative group proposed that this option is available, but not that this option specifically be used. Mr. Meginnis noted that he believes this issue should be included in the report.

Mr. Marvin also noted that he feels that whatever the Committee recommends in terms of bonding, it should be subordinate to the legislative's recommendation to create a utility district. Mr. Bayer noted that he feels that the Committee action is vague enough to allow what comes out of the finance group to dictate. Mr. Zink added that he would support an initial thrust on pursuing the utility.

Mr. Marvin questioned if we wanted to add items to the report, specifically sales tax as a backup financing option. Ms. Gauger stated that she feels that it should not be added to the legislative report, but added in the final report. Mr. Zink stated that the Committee should consider sales tax as a legislative initiative to be included in the final report. Mr. Meginnis stated that he would like to add special assessment districts as well.

Ms. Gauger asked the Committee to review the priority order of the state-related options identified in the report. Mr. Zink recommended that the order be stormwater managment, fuel sales tax, design-build and Municipal Infrastructure Redevelopment Fund (MIRF). It was seconded by Jon Carlson. All members in attendance were in agreement with this recommendation.

With that, Mr. Bayer stated that he believes the Committee has accepted the recommendations of the Legislative Work Group.

Mr. Hampton stated that he is in favor of design-build, although it favors larger contractors. He

would like to add as a general concept that the Committee supports encouraging and enabling the small, local contractors to get their fair share. Mr. Meginnis stated that he would support this concept if it is most cost efficient.

6. Final Review of Cost Savings and Efficiency Work Group

Mr. Bayer questioned the group on how they wanted to proceed with this review, taking into consideration that there are only two meetings remaining. Mr. Marvin suggested that the Cost Savings and Efficiency members address the points of contention. Mr. Korell then suggested that any Committee members who have suggestions for the report communicate them to Mr. Morgan by Monday.

Mr. Morgan questioned the group on what they considered to be the final report of the Cost Savings and Efficiency work group, whether it is the detailed text with recommendations or the recommendations only. Mr. Bayer stated that he feels it is the version containing the recommendations only. Mr. Korell stated that he believes that the final report should be an executive summary with the detailed information as supporting information. There was general agreement with this recommendation.

Mr. Carlson brought up the issue of the two concerns that the Committee had with the Cost Savings and Efficiency Report. Mr. Korell stated that the Committee did not actually endorse these ideas; however, they are points of discussion. Mr. Hampton stated that he had concerns with the forced main issue and burying overhead distribution lines. Mr. Bayer stated that in the interest of time, he suggested following Mr. Korell's recommendation of communicating their concerns with the report to Mr. Morgan, and the list then will be reviewed at the next meeting. There was general agreement with this recommendation.

Mr. Korell articulated his concern with the process of the CIP, and he believes that the process that we have now politicizes the process too much. When the plans are developed, they need to be more institutionalized and maintained. He stated that he would like something included in the final report on this issue. He then made a motion to have this on the agenda for the next meeting. Mr. Zink seconded the motion. Mr. Werner stated that he agrees, but there has to be some flexibility. Mr. Marvin stated that the Committee should emphasize that the City should grow as identified in the Comp Plan.

Mr. Werner stated that he feels it is important that all members be present at the remaining meetings, although he realizes it is difficult to do that. Mr. Bayer stated that the Committee will meet from 3:00-6:30 at the next meeting on April 24th.

Mr. Bayer adjourned the meeting at 5:24 p.m.